



U.S. Department of Justice

United States Attorney  
Western District of New York

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# PRESS RELEASE

April 12, 2005

## **SECOND CITY EMPLOYEE PLEADS GUILTY TO BRIBERY**

**RE: UNITED STATES v. MARK STEDMAN**

United States Attorney Michael A. Battle announced today that Mark Stedman, age 47, of 622 Whittier Road, Spencerport, New York, has pleaded guilty in front of United States District Court Judge Charles J. Siragusa to mail fraud, in violation of 18 U.S.C. §666, which carries a maximum sentence of 10 years imprisonment, a \$250,000 fine, or both.

Assistant U.S. Attorney Richard A. Resnick, who is handling the case, stated that Stedman was a rehabilitation specialist for the City of Rochester, and he was responsible for writing specifications for the rehabilitation of privately owned housing within the City. The homeowners must first qualify for a grant program administered by the city and

funded by HUD. The homeowner then has to select four construction companies to bid on the project and one of these companies has to be minority owned. These grants range between \$10,000 and \$30,000 per project and the homeowner may qualify for more than one type of grant.

Stedman admitted to receiving bribes from various contractors in return for steering contracts to the contractors during the years 2002 through 2004. Stedman would steer the contracts to the contractors by telling the contractors the amount of the lowest bid. The contractors would then bid a lower amount than the lowest bid in order to win the bid. After the contractors were awarded the project, the contractors would pay Stedman between 2 and 5 percent pf the contract amount.

Further, the City of Rochester participates in a federally funded emergency grant program known as the "EACH program". Under the EACH program, emergency grants ranging up to approximately \$7,000 are given to qualifying homeowners for emergency housing repairs, such as a new furnace or roof. The defendant was the rehabilitation specialist for the City of Rochester who was primarily responsible for managing and finding contractors to bid and complete the EACH program projects.

Under the EACH program, the defendant was required to solicit bids from three different contractors and award the project to the lowest bidder. However, during the years 2002 through 2004, the defendant steered EACH program projects to nine contractors in connection with a prearranged agreement.

Specifically, the contracts were awarded as follows:

- (1) The defendant would solicit a bid from a contractor. The contractor knew that the project would be awarded to him or her if they wanted the project because they knew that the defendant would not be soliciting bids from other contractors, as was required.
- (2) The contractor would then submit a bid to the defendant and also obtain two other "courtesy bids". Courtesy bids were bids that the contractors would request other contractors to submit to the defendant. These other bids would be in amounts greater than the bid submitted by the contractor who had the prearranged agreement with the defendant. Courtesy bids were a common practice among contractors bidding on City of Rochester funded projects.
- (3) After receiving the low bid and the two courtesy bids, the defendant would award the contract to the contractor, and in return, the contractor would pay the defendant a cash kickback from the money the contractor received after completing the project.
- (4) Due to the fact that the contractor knew that he or she was the only "real" bidder on the project, and that the bidding process was rigged and would not be competitive, as required, the contractor knew that he or she could bid a higher amount than he or she would have otherwise had the process been a competitive bidding process. Thus, the contractor would receive more money for a project under the prearranged agreement the contractor had with the defendant. Further, the contractors advised that they would include in their bid, if possible, the amount that they were required to kickback to the defendant. Consequently, the City of Rochester and HUD were defrauded in that more money was paid to the contractor than should have been paid for the EACH program projects.
- (5) The contractors provided kickbacks in amounts approximately equal to 2 to 5 percent of the contract amount.

The EACH program administered by the City of Rochester is funded by HUD. HUD provides the City of Rochester each year with funds well in excess of \$10,000 to fund the EACH program.

The conviction was the culmination of an joint investigation on the part of the Federal Bureau of Investigation, under the direction of Special Agent in Charge Peter Ahearn, the U.S. Department of Housing and Urban Development, Office of Inspector General, under the direction of Ruth Ritzema, and the United States Postal Inspection Service, under the direction of William E. Kezer.

Sentencing is scheduled for July 19, 2005 at 9:30 a.m. .

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